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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 26

NIHON KEIZAI (Page 2) (Full)  
March 27, 2007

07:35

Met with Deputy Chief Cabinet Secretary Suzuki at Kantei. Later, met with Chief Cabinet Secretary Shiozaki.

09:03

Attended the welcome ceremony for King of Sweden Gustaf and his wife held at Imperial Palace.

10:00

Attended an Upper House Budget Committee session.

12:44

Met with State Minister in Charge of Disaster Management Mizote in the Diet, joined by former State Minister in Charge of Disaster Management Kutsukake and other lawmakers elected in Ishikawa Prefecture.

13:00

Attended an Upper House Budget Committee session.

16:17

Handed in the Diet certificates of official approval as LDP

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candidates to candidates-to-be, including Seiichi Eto, in proportional representation blocs, such as Fukushima, Ibaraki, and Yamanashi, for upcoming Upper House election and also handed a certificate of official approval as LDP candidate to a candidate in Aomori gubernatorial election.

16:35

Paid a courtesy call on Gustaf and his wife at Hotel Okura.

17:07

Met with Finance Minister Omi in Diet, and later attended an Upper House plenary session.

18:07

Visited Upper House President Ogi and senior members of the ruling parties in the Diet to express thanks for the passage of the budget bill.

18:36

Arrived at Kantei residence.

19:12

Attended the welcome banquet for Gustaf and his wife held at Imperial Palace, together with his wife Akie.

22:57

Arrived at Kantei residence.

4) Shimomura's remark on wartime comfort women, "No coercion by the military" reveals discord with Kantei with Abe reiterating "apology"

ASAHI (Page 4) (Full)  
March 27, 2007

At a press conference yesterday, Deputy Chief Cabinet Secretary Hakubun Shimomura, asked about the so-called Kono statement on the wartime comfort women, denied the former Imperial Japanese Army's direct involvement in such activities as coercion of women into sexual servitude, saying: "My perception is that the military was not involved directly in them." In contrast, Prime Minister Shinzo Abe has taken the position of stopping short of referring to "coercion." The rift over the issue in the Prime Minister's Official Residence (Kantei) has now been exposed.

Considering growing objections to his remarks denying "coercion in the narrow sense" made early this month, Abe has now avoided referring to coercion, noting, "Debate itself on such a matter simply leads to a highly unproductive result." He has reiterated his intention to stand by the Kono statement and an "apology" to former comfort women. At an Upper House Budget Committee session yesterday, Abe stressed, "As the prime minister of Japan, I have offered an apology," in response to a call for an official apology by lawmaker

Haruko Yoshikawa of the Japanese Communist Party.

Shimomura, however, emphasized to reporters after the press conference: "I just followed the 1997 government's reply to the effect, 'No documentation directly indicating the military's or government authorities' organized coercion of women into sexual servitude were found in official data.'" "Given that there was no discovery of any documents showing such a thing, my personal view is that there was no coercion of women into sexual servitude by the

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military or government authorities," Shimomura added. But obvious is that there is a difference between the prime minister, who is trying to quiet down the fuss, and Shimomura.

Meanwhile, the Washington Post criticized Abe in its editorial that "If Mr. Abe seeks international support in learning the fate of Japan's kidnapped citizens, he should straightforwardly accept responsibility for Japan's own crimes." When asked late yesterday about this criticism, Abe rebutted: "They are two completely different matters. The abduction issue is a pending issue of violation of human rights. The issue of wartime comfort women has not continued to date." However, the concern is spreading in the government that "it is not good if the two issues -- abductions and former comfort women -- are mixed," one government official concerned said.

5) Abe: Abduction, comfort women "different issues"

SANKEI (Page 5) (Full)  
March 27, 2007

Prime Minister Shinzo Abe rebutted a US newspaper over his remarks on the issue of comfort women. The Washington Post bitterly criticized Abe for "turning a blind eye to Japan's war crimes" on the comfort women issue in contrast to his attitude toward the issue of Japanese nationals abducted to North Korea. "These (abduction and comfort women issues) are quite different issues," Abe told reporters yesterday evening. "The abduction issue is an ongoing violation of human rights," Abe added.

"The issue of wartime comfort women was an issue in the past," Abe stressed. In addition, Abe also noted that Japanese people are still being held in North Korea. The premier was replying to questions asked by reporters at the Diet.

6) FY2007 budget clears Diet; Turmoil expected over deliberations on key bills; Prime Minister Abe faces many difficulties

SANKEI (Page 2) (Slightly abridged)  
March 27, 2007

The House of Councillors last evening approved the 82.91 trillion yen fiscal 2007 general-account budget -- the Abe administration first -- by a majority of lawmakers from the ruling Liberal Democratic Party (LDP) and its junior coalition partner New Komeito. The Upper House's Budget Committee endorsed the budget earlier in the day. Prime Minister Shinzo Abe, who was able to get the budget through the Diet before the end of the current fiscal, intends to push through the Diet such important bills as a national referendum bill and three bills related to educational reform, which would become the foundation of his policy of "creating a beautiful country." It was the ninth year in a row that the Diet approved the budget for next fiscal before the end of the current fiscal year. However since the ruling parties have not lined up on these key bills, Abe will likely face difficulties in managing Diet affairs.

Abe expressed a sense of security for the approval of the FY2007 budget before the press corps. He stated: "I am happy that the budget will be able to implemented from April."

Yet, the government and ruling coalition have yet to reach agreement on other key bills. The ruling bloc and the leading opposition

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party, Minshuto (Democratic Party of Japan) yesterday agreed in principle on the bill outlining procedures for a national referendum, passage of which is the top priority of Abe after re-revising the bill since junior and mid-level LDP lawmakers had opposed the bill, arguing, "If no corrections are not added to the bill, it will become a bill to prevent constitutional reform."

The government finally will finally submit to the Diet on March 30 the three bills related to reform of the education system. Abe believes that the nation has the fundamental responsibility for education. The largest opposition party has assumed a hard-line stance. LDP lawmakers representing educational-policy interests have strongly opposed the idea of boosting the authority of the boards of education.

Moreover, the development of a resolution criticizing Japan for its wartime comfort women issue before the US House of Representatives will likely become another cause of turmoil in the Diet. Although Abe has stated that he follows the comfort women statement issued then Chief Cabinet Secretary Yohei Kono, many supporters for Abe have called for a review of the Kono statement. Since the issue may become a big issue in his meeting with US President George W. Bush in April in Washington, all eyes are now focused on Abe's view on the issue.

#### 7) Abe administration struggling to demonstrate its originality in reforms

NIHON KEIZAI (Page 3) (Abridged)

March 27, 2007

The Diet approved the nation's general account budget for fiscal 2007 yesterday six months into the administration of Prime Minister Shinzo Abe. The administration's first budget is designed to lead to fiscal health on the back of the recovering economy. At the same time, the budget, lacking punch for structural reform, has also exposed the ruling coalition's inability to nail down details. The administration also needs to achieve more on the diplomatic front, as well.

Prime Minister Abe is endeavoring to demonstrate his originality as seen in his growth enhancing strategic initiative on the domestic front, while following his successor, Junichiro Koizumi's reform policy line.

Reforming the Social Security Agency is one of the pillars in his reform drive. He has decided on a plan to dissolve the organization and partially commission its operations to the private sector, as was pledged in the LDP presidential race last summer. Although he is eager to drastically reform the road-related tax revenue and the civil servant system, his initial plans suffered a setback due to stiff objections from within the LDP. Depending on how the issues will develop, a question mark might be raised for "Kantei-led politics."

The administration is also focused on enhancing growth in steering the economy. Acutely aware of criticism of the social divide from the opposition camp, the administration has come up with plans to raise the minimum wage and increase the productivity of medium-size and small companies. Despite many experts' councils, the administration has yet to present specific ways to achieve its objectives. For instance, a local revitalization plan, which is

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merely a collection of responses of concerned government offices, lacks new substance.

With the nationwide local elections coming up in April and the Upper House election in July, institutional reform that might result in a heavier national burden has stalled. The administration has also closed debate on a consumption tax hike until after the Upper House election. The administration has yet to address the challenge of redesigning the social security system to cope with nation's rapidly aging population.

Hokkaido University Prof. Jiro Yamaguchi took this view:

"Contrary to its slogan of Kantei-led politics, the Abe administration's chain of command is unclear. It is also uncertain if it wants to revise the Koizumi administration's market-oriented reform policy course or continue it."

US policy to be revamped; Relations with China, South Korea stagnant

Following the passage of the FY2007 budget, Prime Minister Abe will revamp his foreign policy. He is scheduled to visit the United States on April 26 for the first time after assuming office to mend relations with the United States, which have been soured since Defense Minister Fumio Kyuma criticized the Bush administration's decision to launch the Iraq war and other matters. Relations with China and South Korea have also been stalemated since Abe visited those countries last October. The Abe administration needs to make greater efforts on the diplomatic front, including the North Korean nuclear and abduction issues.

A senior Foreign Ministry, looking back on the last six months, showed confidence, saying, "Key American leaders have visited Japan." In other words, visits to Japan by Vice President Dick Cheney, Deputy Secretary of State John Negroponte, and Joint Chiefs of Staff Chairman Peter Pace have helped pave the way for Abe's US visit.

Prime Minister Abe visited China and South Korea shortly after assuming office and Europe early this year. But he has not visited the United States, the most important country for Japan. Kyuma's criticism of the Iraq war and a delay in coordination on the realignment of US forces in Japan has evoked discontent in the United States. Abe's US visit is expected to serve as an occasion to confirm the "rock solid Japan-US alliance" and normalize the Japan-US Security Consultative Committee of foreign and defense ministers (2+2), which has been postponed.

Chinese Premier Wen Jiabao is scheduled to visit Japan on April 11, which is expected to be a test for Japan-China relations. Although China's criticism of former Prime Minister Koizumi's visits to Yasukuni Shrine has subsided, Beijing is still calling for an appropriate Japanese response on issues of history. Japan and China will hold the seventh round of talks in Tokyo on March 29 to find a solution to the joint development of a gas field in the East China Sea.

As for relations with South Korea, Foreign Minister Taro Aso is scheduled to hold talks with his South Korean counterpart Song Min Soon on Juje Island on March 31.

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8) Senior LDP members negatively react toward administrative reform minister's leadership, assume hard-line stance

SANKEI (Page 5) (Full)  
March 27, 2007

Criticism against a bill to reform the civil service system arose again yesterday morning in an expanded meeting of the senior officials of ruling Liberal Democratic Party Administrative Reform Promotion Headquarters.

LDP Upper House Caucus Secretary General Toranosuke Katayama said:

"I wonder why it is the Council on Economic and Fiscal Policy making a decision on the first revision of the public servant system in 60 years. I do not agree the council is more important than cabinet ministers and the ruling parties."

Policy Research Council Chairman Shoichi Nakagawa stated: "Before debating detailed legal points, I wonder if this bill damages the pride of civil servants."

Chief Cabinet Secretary Yasuhisa Shiozaki solely explained the bill.

Administrative Reform Minister Yoshimi Watanabe remained in silent with a grim expression. An agreement was reached that bringing the bill to an open discussion would be not good. Therefore, a conclusion has been put off.

Nakagawa and Katayama met on the evening of March 22. The two officials arrived at an agreement that they had to approve the establishment of a new human resource agency. They were eager to iron out differences of opinions within the party so that the prime minister would not face difficulties.

In the expanded meeting on the 23rd, however, Watanabe insisted: "It's the will of Prime Minister Abe." Nakagawa then became indignant, banging on the table as he said: "Are you saying that we're ignoring the prime minister's wishes? Public servants are not things." The situation deteriorated quickly.

Learning of the fury of party officials, Shiozaki stayed in a Tokyo hotel on Saturday and Sunday. He continued make telephone calls to senior LDP members from the hotel to obtain approval from them, but he failed to do so.

The reason for the worsening situation is that the government is reluctant to revise the bill. Moreover, senior LDP members distrust Watanabe. Nakagawa expressed displeasure with Watanabe, saying: "I think Watanabe just wants to take credit. He has put the prime minister in an awkward position as a result." A distressed Watanabe asked Katayama to resolve the issue. Katayama, however, turned down the request, saying, "I can't do such a thing."

#### 9) Abe fails to report 3.69 million yen

SANKEI (Page 5) (Full)  
March 27, 2007

Prime Minister Shinzo Abe, sitting in yesterday on the House of Councillors Budget Committee, revealed that his law-required report of political funds had failed to include a deposit of 3,696,350 yen for his office in Tokyo. Abe said he has corrected the report,

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explaining that the failure resulted from a clerical mistake. Abe was replying to a question asked by Hirokazu Shiba, a member of the leading opposition Democratic Party of Japan (Minshuto). The unreported money was for two political entities, including Shinwakai, an organization managing the premier's political funds. They rent an office in June 2004 but failed to report the deposit money as assets. Abe corrected his political funds report as of February 9.

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#### 10) March 27, 2007

It has been found that the one million yen in cash given by a company owner in Tokyo to a supporter of Agriculture, Forestry and Fisheries Minister Matsuoka as "financial aid to Matsuoka" is now unaccounted for. According to the company owner, the supporter told him, "Although the money went to Mr. Matsuoka, I want you to pretend that I used the money myself." The office of Matsuoka, though, has denied that it had accepted the cash. The one million yen remains unaccountable.

The supporter is the chairman (74) of the India Culture Association, a voluntary organization aimed at promoting exchanges and friendly relations between Japan and India. The supporter and Matsuoka both come from Kumamoto Prefecture. Matsuoka said, "I have known him for a long time." The supporter acted as a go-between when WBEF, a fund management company that was raided on suspicion of violating the Investment Law, purchased party tickets for Matsuoka. It has also been learned that he asked Matsuoka's office to inquire of the Cabinet Office about the state of progress in screening of his organization's application to become an incorporated nonprofit organization.

According to the company owner, the supporter whom he had a business relationship asked him in February 2005 for financial aid to Matsuoka. In response, he handed one million yen in cash over to the chairman in the office of the India Culture Association in Tokyo. The company owner also revealed he had disbursed 400,000 yen to a former Liberal Democratic Party member with cabinet experience in March of the same year. The payments in both cases are entered in his company's account book. The same amount of money is also recorded in the former LDP member's political funds report as of the day after the company paid the money.

Afterward, scandal after scandal involving Matsuoka cropped up. The company owner made a phone call to the chairman twice in February and March this year, asking if "the one million yen was delivered to Matsuoka." The chairman recognized that the money was given to Matsuoka, but he added, "(Matsuoka) is now in a serious trouble in the Diet session. I have explained that I used the money without giving it to him," according to the company owner.

#### 11) Poll: Ishihara leads others in Tokyo race

ASAHI (Page 3) (Full)  
March 27, 2007

In the run-up to the now officially announced Tokyo metropolitan gubernatorial election, Shintaro Ishihara, 74, the incumbent, is leading the other candidates, with former Miyagi Gov. Shiro Asano,

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59, running second, the Asahi Shimbun found from its third poll of Tokyo voters on March 24-25. The latest poll shows no marked change from the last poll conducted March 17-18. At this point, however, more than 30% of those polled have yet to clarify whom they would vote for. The situation is therefore likely to change substantially.

This time, 67% revealed whom they would vote for (65% in the last poll and 61% in the poll before last). The figure has risen gradually. An analysis of the responses shows a drop in the popularity of Ishihara among women. However, Ishihara was leading Asano among floating voters with no particular party affiliation and gained support from 30% of those who support the leading opposition Democratic Party of Japan (Minshuto). In the poll, 37% of respondents answered that they would consider "action" first in voting. Among them, more than 80% supported Ishihara, overwhelming all other candidates.

Asano, backed by the DPJ, remains unable to lock on DPJ supporters. The three polls show no increase in support for Asano among unaffiliated voters. The proportion of those who want Tokyo to change reached 61%. Among these voters, however, Asano's popularity is on the decline. In the latest poll, his popularity was lower than Ishihara's.

A total of 14 persons have announced their candidacies in the Tokyo race.

Former Adachi Mayor Manzo Yoshida, 59, recommended by the Japanese Communist Party, sustained a slight slip in the rate of support for him among JCP supporters. Architect Kisho Kurokawa, 73, shows no rise in his popularity. Inventor Dr. Nakamatsu was also supported by some voters only.

Polling methodology: The survey was conducted over the telephone with voters in Tokyo on a computer-aided random digit dialing (RDD) basis with the aim of calling 1,000 persons. Respondents were chosen on a three-stage random-sampling basis. Valid answers were obtained from 910 persons (62% ).

#### 12) MOD's think tank in its East Asia strategy expresses a strong alarm to China's diplomatic strategy

MAINICHI (Page 2) (Full)  
March 27, 2007

Nobutake Yamashita

The National Institute for Defense Studies, a think tank of the Ministry of Defense (MOD), yesterday unveiled its annual report "East Asian Strategic Review 2007." Regarding China, the report tries hard to forestall China, saying, "It is still difficult to say that its military power and national defense policy have been fully made transparent." Referring to China's diplomatic goal, the report says China aims to expand its influence in East Asia. Saying that Japan "cannot share" that goal, the report expresses a sense of alarm to such a China. On North Korea, the report made mention of that country's nuclear test conducted in last October and analyzes: "North Korea is highly motivated by its desire to blast another nuclear device."

13) N. Korea invites Diet delegation to visit Pyongyang

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SANKEI (Page 5) (Full)  
March 27, 2007

A former lawmaker, once seated in the House of Representatives, visited North Korea last week and met with an executive of the Korean Workers Party Central Committee, sources revealed yesterday. The KWP executive told the ex-lawmaker that North Korea would be ready to host a Japanese parliamentary delegation, according to the sources. The executive also proposed rebuilding a bilateral parliamentary league, the sources said.

The North Korean side took the position that Pyongyang wants the Japanese parliamentary delegation to be headed by "a person who wants to resolve issues," according to the sources. Specifically, North Korea named Taku Yamasaki, former vice president of the ruling Liberal Democratic Party, the sources said. In January, Yamasaki visited North Korea. The KWP executive is Kim Tae Jong, deputy director of the KWP Central Committee International Department, also known as its International Affairs Department. Kim met in Pyongyang on March 22 with Yoshihiro Kawakami, a former Lower House member who was defeated in the 2005 Lower House election.

14) Ministerial meeting on energy: 100 Japanese, Chinese companies also to take part; Cooperation on energy conservation, development of resources

NIHON KEIZAI (Page 1) (Full)  
March 27, 2007

The governments of Japan and China have begun coordination in order to hold the first government/private-sector meeting intended to establish a cooperative relationship in the energy field. The planned talks will be held in Tokyo in mid-April coinciding with Premier Wen Jiabao's visit to Japan. The talks will bring together about 100 companies related to petroleum and electric power, as well as cabinet ministers of both countries. Executives of 50 Chinese companies will come to Japan. They are expected to seek the transfer of Japan's energy-conservation technology and joint development for new energy resources replacing petroleum. Japan will aim at obtaining business opportunities, such as the development of natural resources deposits in China, in return for technology transfers.

Japan and China agreed to set up a ministerial meeting to discuss energy issues during the summit meeting held on the sidelines of the Association of Asia-Pacific Economic Cooperation (APEC) meeting last fall. The government has judged that both countries should build an effective cooperative relationship, developing this framework with the participation of private companies as well.

CEOs of three major oil companies, including China National Petroleum Corporation (CNPC), are expected to visit Japan. China Huaneng and China Huadian, leading power companies, will also participate. It has been decided that from Japan, Nippon Oil Corporation and Nippon Steel Corp. will take part. The meeting will likely bring together 100 Japanese and Chinese companies.

Economy, Trade and Industry Minister Toshiaki Amari will take part from the Japanese government. From the Chinese side, Premier Wen

will deliver a speech. National Development and Reform Commission Chairman Ma Kai will also participate.

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15) US beef: Seiyu to resume sales on Mar. 29; First major supermarket chain to do so

MAINICHI (Page 2) (Full)  
March 27, 2007

Seiyu Co., a supermarket chain under the umbrella of Wal-Mart Stores announced a plan to resume the sales of US beef at its 20 outlets in the Kanto region, including Tokyo and Kanagawa Prefecture, within March. The sales of US beef by a leading supermarket chain are the first in three years and three months since Dec. 2003, when BSE was discovered in the US. One of its outlets in Tokyo will start selling US beef on Mar. 29, followed by 19 others on the 31st. The plan is that Seiyu will increase the number of stores that sell US beef, if it sells well.

Responsible Seiyu officials inspected meatpackers and confirmed the safety of their products. The store will sell chuck eye roll for 298 yen per 100 grams and trimmings of chuck eye roll for 498 yen per 200 grams. The prices will be 10% -20% higher than the 2003 level before the BSE case was discovered but on the same level as that of Australian products. Seiyu said that it was necessary to respond to customers who want US beef.

SCHIEFFER